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AUDIT REPORT
ON THE ANNUAL FINANCIAL STATEMENTS OF THE MINISTRY
OF LOCAL GOVERNMENT ADMINISTRATION FOR
THE YEAR ENDED 31 DECEMBER 2017

Prishtina, June 21 2018

Deloitte Kosova Sh.p.k. conducted the audit of the Annual Financial Statements of the Ministry of Local Government Administration ("the Ministry") for the year ended December 31, 2017, on behalf of the National Audit Office of the Republic of Kosovo.

Our Mission is to contribute to sound financial management in the public administration. We perform audits in line with internationally recognized public sector auditing standards and good European practices.

The reports of the National Audit Office directly promote accountability of public institutions as they provide a base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

Deloitte Kosova sh.p.k has decided on the audit opinion on the Annual Financial Statements of the Ministry of Local Government Administration.

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Executive Summary

Introduction

Deloitte Kosova Sh.p.k. conducted the audit of the annual financial statements of the Ministry of Local Government Administration ("the Ministry" or "MLGA") for the year ended December 31, 2017, on behalf of the Office of the Auditor General ("OAG").

This report summarises the key issues arising from our audit of the 2017 Annual Financial Statements of the Ministry of Local Government Administration, which determines the Opinion given by Deloitte Kosova sh.p.k. The examination of the 2017 financial statements was undertaken in accordance with the International Standards on Supreme Audit Institutions (ISSAIs). Our approach included such tests and procedures as we deemed necessary to arrive at an opinion on the financial statements. The applied audit approach is set out in our External Audit Plan dated 6/3/2018.

Our audit focus has been on:



The level of work undertaken by Deloitte Kosova shpk to complete the 2017 audit is a is determined depending of the quality of internal controls implemented by the Management of the Ministry.

Deloitte Kosova shpk acknowledges the Ministry's Senior Management and Staff for cooperation during the audit process.

Opinion

Unmodified Opinion

The Annual Financial Statements for 2017 *present a true and fair view* in all material aspects.

For more, please refer to Section 2.1 of this report.

Emphasize of matter – Basis of accounting

We draw attention to the "Statement of Presentation of Financial Statements", which describes the basis of accounting. The financial statements are prepared to meet the requirements of the Law on Public Financial Management and Accountability No. 03 / L-048. Our opinion is not modified in respect to this matter.

Annex I explains the different types of Opinions.

Key Conclusions and Recommendations

The AFS production process was managed according to the applicable legislation



There are no recommendations in this field.

Budget planning and execution process with findings



The Minister should apply a detailed assessment of budget planning and execution and other areas of concern highlighted in this report to identify reasons for weaknesses and action needed to address these (See issue 1)

Although internal controls operated effectively in some areas evident weaknesses were noticed.



The Minister should carry through a detailed assessment of areas where weaknesses have been identified and strengthen controls where failure in the process have been identified (See issue 3 and 4)

The Management's Response on 2017 audit

The Minister did not agree with audit findings and conclusions and committed to address all given recommendations. The comments of the Minister on issues which we have not been agreed are outlined in detail in Annex III.

1 Audit Scope and Methodology

Introduction

Deloitte Kosova shpk on behalf of The National Audit (NAO) is responsible for carrying out a Regularity Audit which involves the examination and evaluation of Financial Statements and other financial records and expression of opinions on:

- Whether the financial statements give a true and fair view of the accounts and financial affairs for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- The appropriateness of internal controls and internal audit functions; and
- All matters arising from or relating to the audit.

Audit work undertaken reflected our audit risk assessment for Ministry. We have analysed the Ministry's business to the extent to which management controls can be relied upon when determining the overall testing required to provide the necessary level of evidence to support the auditor's opinion.

The following sections provide a more detailed summary of our audit finding with emphasis on observations and recommendations in each area of review. Management's responses to our findings can be found in Annex III.

Our procedures included a review of the internal controls, accounting systems and related substantive tests and related governance arrangements to the extent considered necessary for the effective performance of the audit. Audit findings should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

2 Annual Financial Statements and other External Reporting Obligations

Introduction

Our audit of the Annual Financial Statements (AFS) considers both compliance with the reporting framework and the quality and accuracy of information recorded in the AFS. We also consider the Declaration made by the Chief Administrative Officer and Chief Financial Officer when the draft AFS are submitted to the Ministry of Finance.

The declaration regarding presentation of the AFS incorporates a number of assertions relating to compliance with the reporting framework and the quality of information within the AFS. These assertions are intended to provide the Government with the assurance that all relevant information has been provided to ensure that an audit process can be undertaken.

2.1 Audit Opinion

Opinion

We have audited the financial statements of the Ministry of Local Government Administration ("the Ministry" or "MLGA") for the year ended on 31st of December 2017 which comprise of the Statement of Cash Receipts and Payments, Budget Execution Statement and notes to the financial statements.

In our opinion, the Annual Financial Statements for the year ended on 31st of December 2017 are prepared in all material respects in accordance with International Public Sector Accounting Standards (according to cash based accounting), Law no.03/L-048 on Public Financial Management and Accountability (as amended by Law no.03/L-221, Law no.04/L-116, Law no.04/L-194, Law no.05/L-063 and Law no.05/L-007).

Basis for the opinion

We conducted our audit in accordance with International Public Sector Accounting Standards (IPSAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Ministry in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasize of matter - Basis of accounting

We draw attention to the "Annex 1- Statement of Presentation of Financial Statements", which describes the basis of accounting. The financial statements are prepared to meet the requirements of the Law on Public Financial Management and Accountability No. 03 / L-048. Our opinion is not modified in respect to this matter.

Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) for "Financial Reporting under the Cash Basis of Accounting" and the Law on Public Financial Management and Accountability No. 03 / L-048 as amended by Law No. 03 / L-221, Law no. 04 / L-116, Law no. 04 / L-194, Law no.05/L-063 and Law no. 05 / L-007, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Ministry's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Government either intends to close the Ministry or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Ministry's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Basic Principles and Guidelines on Auditing of the International Organization of Supreme Audit Institutions (INTOSAI)s will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with INTOSAI s, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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2.2 Compliance with AFS and other reporting requirements

Budget Organisations is required to comply with a specified reporting framework and other reporting requirements. We considered:

- Compliance with MoF Regulation no.01/2017 on the Annual Financial Reporting of Budget Organisations;
- Requirements of LPFMA no. 03/ L-048, (as amended and supplemented);
- Compliance with Financial Rule no.01/2013 and 02/2013;
- Action Plan on implementation of recommendations; and
- Reports for debts on arrears;
- Draft and final procurement plan

In the context of the AFS and other reporting requirements we have no issues to raise.

2.3 Recommendations related to Annual Financial Statements

We have no recommendations related to the AFS and other reporting requirements.

3 Financial Management and Control

Introduction

Our work related to Financial Management and Control (FMC) reflects the detailed audit activities undertaken on Revenue and Expenditure Systems within Budget Organisations. Specifically, the focus of the audit was Budget management, Procurement issues, Human Resources as well as Assets and Liabilities.

Financial Management and Control Conclusion

In the context of financial systems, controls over revenues are generally appropriate and are being implemented effectively - but controls over a range of expenditure and liabilities areas require further enhancement to prevent irregularity of expenditures and non-rational expenditures.

In addition, controls over the non- financial assets require further enhancement to ensure that assets are accurately presented in the financial records.

3.1 Budget Planning and Execution

We have considered the sources of budget funds, spending of funds and revenues collected by economic categories. This is highlighted in the following tables:

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget	2017 Outturn	2016 Outturn	2015 Outturn
Sources of Funds	4,960,035	4,949,019	4,434,678	4,808,764	3,825,642
Government Grant - Budget	4,858,637	4,725,070	4,331,067	4,696,680	3,745,283
Foreign donations	101,398	223,949	103,611	112,084	80,359

The final budget is lower than the initial budget by Euro 11,016. This change in the budget is a result of external additional donations totalling to Euro 122,551 and a decrease of Euro 133,566 applied after budget review and in line with Government decisions.

In 2017, MLGA has used 90% of the final budget or Euro 4,434,678, with an deterioration of 6% compared with 2016 (in which was used 96% of the final budget). The following are the explanations for the current position.

Table 2. Spending of funds by economic categories - (in €)

Description	Initial Budget	Final Budget	2017 Outturn	2016 Outturn	2015 Outturn
Spending of funds by economic categories	4,960,035	4,949,019	4,434,678	4,808,764	3,825,642
Wages and Salaries	976,455	996,127	971,081	918,917	844,722
Goods and Services	254,431	410,072	192,284	345,231	326,231
Utilities	25,500	18,600	11,895	11,134	13,388
Subsidies and Transfers	203,649	196,686	184,611	197,624	200,732
Capital Investments	3,500,000	3,327,535	3,074,806	3,335,858	2,440,569

Explanations for changes in budget categories are given below:

- The final budget for Wages and Salaries compared with the initial budget was increased by Euro 19,672. Until December 31, 2017, 97% of the final budget was implemented.
- The final budget for Goods and Services in comparison with the initial budget, increased in total for Euro 155,641. Initially, it increased by Euro 10,000 with the budget review. Subsequently a reduction of Euro 8,081 was made. And lastly, to the final budget were added Euro 153,722 from foreign donations. The final budget for this category was realized for Euro 192,284 or 47%.
- The final budget for Utilities compared to the initial budget was reduced for Euro 6,900. Initially, this category has been reduced for Euro 10,000. Lastly, Euro 3,100 from foreign donations were added to the final budget. 64% of the final budget of this category was realized.
- Subsidies were reduced by Euro 6,963 from the initial budget. The final budget for this category was realized at 94%.
- Capital Investments final budget compared to the initial budget was reduced by Euro 172,465. Initially, with the budget review, this category was decreased by Euro 9,663, with a subsequent reduction in a further amount of Euro 162,802. After the decrease, the final budget for this category was spent 92%.

The capital investments were made in co-financing with the Municipalities (Municipalities conducted also the procurement process). Major investments during 2017 included investments in the road infrastructure which comprised almost 44% of total capital expenditure. Several from the major investments included Euro 100,000, each, in villages of Municipality of Gjilan, Viti and Zvecan, Euro 97,000, each, in villages of Municipality of Peja, Euro 90,000, each, in villages of Municipality of Zubin Potok and Euro 80,000, each, in Municipality of Drenas and Junik. Further investments included also the investments in the categories of administrative buildings, electricity transmission system, and other categories.

Issue 1 – Budget Execution

Finding	The budget had a realization percentage of 90%. A greater surplus can be noted in the category of goods and services with a realization of 47% and utilities with an implementation percentage of 65%. Although requests to revise the budget were sent from MLGA to the relevant authorities, there were no changes made in the budget levels.
Risk	Incomplete budget realization may cause the Ministry to not fully achieve the objectives of the organization and finance current year obligations from next year's budget.
Recommendation 1	The Minister should ensure that the monitoring of budget performance is strengthened and enhanced even further. Where initial budget assumptions are incorrect, it should be fully reflected in the final budget.

3.2 Salaries and Allowances

Salaries and Allowances are paid through a centralised system managed by Ministry of Public Administration (“MPA”) and Ministry of Finance (“MoF”). Controls operated by MLGA are dealing with the calculation of salaries in accordance with labor contracts and applicable legislation.

The number of employees approved in MLGA was 151, while the actual number of employees was 144 employees. We tested several recruitment procedures, personnel files and we have reviewed payroll lists and compared the data presented by the Treasury, KFMIS and their presentation in AFS.

Recommendation

We have no recommendations in this area.

3.3 Goods and Services and Utilities

We have also tested several samples of expenses that do not require the application of procurement procedures.

Recommendations

We have no recommendations in this area.

3.4 Subsidies and Transfers

The final budget of Subsidies and Transfers was Euro 196,686, out of which Euro 184,611 were spent in 2017. Those relate to subsidies that were given to Municipalities and difference NGO to support difference social objectives in the benefit of citizens.

Recommendations

We have no recommendations in this area.

3.5 Capital Investments

The final budget of Capital Investments was Euro 3,327,535, out of which Euro 3,074,806 were spent in 2017. We have examined several dossiers of capital investments during 2017 for investments made in co-financing with Municipalities.

Recommendations

We have no recommendations in this area.

3.6 Common Issues on Goods and Services and Capital Investments

The following common issues relate to Goods and Services and Capital Investments:

Issue 2 - Non commitment of funds at the appropriate amount

Finding For one framework service contract signed in 2017, the commitment of funds was not made at the appropriate amount and no reasonable evidence could be provided how the calculation for the committed amount within 2017 was determined, even though the total expenditures of the year have not exceeded the committed amount.

Risk Non commitment of funds at the appropriate amounts might lead to mismanagement of budget of the periods.

Recommendation 2 We recommend the entity to strengthen the controls in procurement process and plan and commit appropriately the funds needed for services obtained or goods purchased.

3.7 Capital and Non-Capital Assets

Although the Ministry has taken steps to improve reporting on its assets, there are still several weaknesses in relation to the assets of the Ministry.

Issue 3 – Understatement of non-financial non capital assets

Finding Non capital assets under Euro 1,000 that were disclosed in the financial statements under note 19.3.2, as at December 31, 2017 were understated for Euro 24,320. These were assets that were identified during the stocktaking process, which were not included in the system of E- pasuria within 2017, but they were recorded in E-Pasuria on March 2018.

Risk Failure on the internal controls of the Ministry to maintain appropriate records of the assets under its management, may mislead financial statements figures and further the understanding of the financial statements from the users.

Recommendation 3 We recommend the Ministry to ensure that appropriate records are maintained for the assets under management and those records are appropriately disclosed in the financial statements.

Issue 4– Stocktaking of non-financial capital assets

Finding From 100% of the samples that we have selected for test of assets over 1000 euro, we have noted that none of these samples was stocktaken and included in the report of stocktaking of assets for the year 2017.

Risk Non stocktaking of assets might lead to the Ministry not having accurate information for the assets under possession and their physical conditions.

Recommendation 4 We recommend to the Ministry to held a stocktaking for all the assets under its possession and prepare a report with results over the process and reflect these results in the system of accounting.

3.8 Outstanding Liabilities

The statement of liabilities not paid to suppliers at the end of 2017 was Euro 5,875. These liabilities are carried forward to be paid in 2018.

Recommendations

We have no recommendations in this area.

4 Progress in implementing recommendations

Our Audit Report on the 2016 AFS of MLGA resulted in 7 key recommendations. MLGA prepared an Action Plan stating how all recommendations will be implemented.

At the end of our 2017 audit, from these recommendations that were given in 2016: 3 from this recommendation were under implementation and 4 were implemented.

While, in regards to the recommendations that were given for the audit of 2015, there were given 10 recommendations.

At the end of our 2017 audit, from these recommendations given in 2015: 4 from this recommendations were under implementation and 6 others were implemented.

For a more thorough description of the recommendations and how they are addressed, see Annex II.

Issue 5 - Implementing Prior and Earlier Year Recommendations

Finding	Although noticeable improvements were made with regard to recommendations from prior years audits, we have noted that not all recommendations were fully implemented.
Risk	Shortcomings in addressing and implementing auditors recommendations, may reduce the quality of reporting and reduce the ability of management to manage the activities of MLGA pro-actively.
Recommendation 5	The Minister should ensure that a revised action plan is implemented which more clearly sets out a timetable for addressing the recommendations made by the AG with accountable staff members identified and with initial focus on those of greatest significance.

5 Good Governance

Introduction

Good Governance implies basic principles of accountability, effectiveness of controls, risk management, independence of internal audit, coordination of NAO with internal audit and good governance with public assets.

A key tool supporting effective governance is the implementation of audit recommendations as this demonstrates that Management are seeking to develop existing processes and controls. The level of compliance with FMC requirements by Budget Organizations is monitored by the self-assessment checklists completed by all BOs, which are submitted at the end of the year to the Ministry of Finance.

Specific areas of our governance-related reviews have been the accountability and risk management process, while the other components are handled within the chapters or subchapters above.

Overall Governance Conclusion

The Ministry in general has put in place sound controls compared to its statutory obligations. The Financial Management and Control has proven a good review process and assurance in the implementation of the legislation and other control processes.

Governance in Ministry regarding financial reporting and accountability and risk management reflects a positive situation, but needs further enhancement. Ministry has implemented the largest part of recommendations and prepared the risk management report by identifying all significant risks that might affect the organisation in achieving its objectives. The Internal Audit had provided a clear overview on internal controls' level of assurance and had given recommendations for improving them.

5.1 Internal Audit System

The Internal Audit Unit (IAU) operates with three members of staff - the Head of IAU and two auditors. An effective audit requires a comprehensive work programme that reflects financial and other risks to Auditee and provides sufficient assurance over the effectiveness of internal control. The impact of Internal Audit output should be judged by the importance that management places on addressing recommendations and the support and challenge provided by an effective Audit Committee.

Recommendations

We have no recommendations in this area.

5.2 Management Reporting, Accountability and Risk Management

In order to have a proper planning, supervise the activities on a regular basis and allow effective decision-making, the Management needs to have regular reports. Accountability as a process is the acceptance of responsibilities, holding persons into account for their actions and disclosing results in a transparent way. Whereas, risk management is a process related to identification, analysis, evaluation and actions/measures taken by the Management to control and respond to risks threatening the Organization.

Although, a range of internal controls are applied by Management to ensure that systems and operate as intended, we have noticed that the measures applied are not ineffective in all cases, and therefore do not provide an effective and timely response to the identified operational problems.

Issue 6- Weaknesses in High Level Management Controls

- Finding** The Management does not carry out sufficient analysis of budget performance, so that they can identify improvements that are needed in budget planning.
- Risk** This results in weaknesses within the budget process and reduces Management's ability to respond to financial challenges in time. It also reduces the effect of budget controls and increases the risk of improper spending. Consequently, this may also result in providing poor quality services.
- Recommendation 6** Budgetary performance, including revenues and expenditures, should be subject to regular reporting and review by the Management.

Annex I: Explanation of the different types of opinion

(extract from ISSAI 200)

Form of opinion

147. The auditor should express an **unmodified opinion** if it is concluded that the financial statements are prepared, in all material respects, in accordance with the applicable financial framework.

If the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, the auditor should modify the opinion in the auditor's report in accordance with the section on "Determining the type of modification to the auditor's opinion".

148. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor should discuss the matter with the management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, determine whether it is necessary to modify the audit opinion.

Modifications to the opinion in the auditor's report

151. The auditor should modify the opinion in the auditor's report if it is concluded that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or if the auditor was unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Auditors may issue three types of modified opinions: a qualified opinion, an adverse opinion and a disclaimer of opinion.

Determining the type of modification to the auditor's opinion

152. The decision regarding which type of modified opinion is appropriate depends upon:

- The nature of the matter giving rise to the modification – that is, whether the financial statements are materially misstated or, in the event that it was impossible to obtain sufficient appropriate audit evidence, may be materially misstated; and
- The auditor's judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements.

153. The auditor should express a **qualified opinion** if: (1) having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or (2) the auditor was unable to obtain sufficient appropriate audit evidence on which to base an opinion, but concludes that the effects on the financial statements of any undetected misstatements could be material but not pervasive.

154. The auditor should express an **adverse opinion** if, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

155. The auditor should **disclaim an opinion** if, having been unable to obtain sufficient appropriate audit evidence on which to base the opinion, the auditor concludes that the effects on the financial statements of any undetected misstatements could be both material and pervasive. If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the audit scope that the auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor should request that management remove the limitation.

156. If expressing a modified audit opinion, the auditor should also modify the heading to correspond with the type of opinion expressed. ISSAI 1705¹⁹ provides additional guidance on the specific language to use when expressing a modified opinion and describing the auditor's responsibility. It also includes illustrative examples of reports.

Emphasis of Matter paragraphs and Other Matters paragraphs in the auditor's report

157. If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to their understanding of the financial statements, but there is sufficient appropriate evidence that the matter is not materially misstated in the financial statements, the auditor should include an Emphasis of Matter paragraph in the auditor's report. Emphasis of Matter paragraphs should only refer to information presented or disclosed in the financial statements.

158. An Emphasis of Matter paragraph should:

- be included immediately after the opinion;
- use the Heading "Emphasis of Matter" or another appropriate heading;
- include a clear reference to the matter being emphasised and indicate where the relevant disclosures that fully describe the matter can be found in the financial statements; and
- indicate that the auditor's opinion is not modified in respect of the matter emphasised.

159. If the auditor considers it necessary to communicate a matter, other than those that are presented or disclosed in the financial statements, which, in the auditor's judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report, and provided this is not prohibited by law or regulation, this should be done in a paragraph with the heading "Other Matter," or another appropriate heading. This paragraph should appear immediately after the opinion and any Emphasis of Matter paragraph.

Annex II: Prior and Earlier Year Recommendations

Audit Component	Recommendation carried forward from 2015	Implemented during 2017	Under implementation during 2017	Not implemented
Recommendations of previous years	The Minister should ensure that the action plan is implemented and considered, which sets out a timetable for implementing the recommendations made by the auditor, with the identified responsible staff, and focusing initially on the most important areas.		Under implementation	
Self Assessment Checklist of FMC	The Minister should ensure that it implements a review of the self-assessment checklist and that areas of weakness are addressed pro-actively. It should apply a revised mechanism to confirm the accuracy of the checklist and to provide supporting documentation.	Yes		
Risk Assessment	We recommend the Minister to ensure that the Ministry complies with all reporting requirements, including the preparation of the risk register.	Yes		
Management Reporting	The Minister should ensure that a review is conducted to determine the form of reporting to senior management, and management uses the reporting to prevent errors.	Yes		
Internal Audit System	To achieve maximum benefit from the internal audit activity, the Minister should ensure greater involvement of the Audit Committee. The Audit Committee should review the critical internal audit plans and results of internal audit. It should also review the actions taken by management in connection with the audit recommendations.	Yes		

Budget Planning and Execution	The Minister should ensure that budget performance is systematically monitored on a monthly basis and that this review identifies and addresses obstacles to the realization of the planned budget level. Where initial budget assumptions are incorrect, it should be fully reflected in the final budget.		Under implementation	
Procurement	The Minister should ensure that a review is conducted to determine why in the above cases the procurement requirements were not applied consistently. Consequently, additional controls need to ensure that a similar situation will not be repeated in future procurements.		Under implementation	
Remunerations (Wages and Salaries)	The Minister should ensure that all reimbursements are made within the limits and in accordance with relevant laws and regulations.	Yes		
Capital and Non Capital Assets	The Minister should ensure that adequate controls are in place that enable the management of assets in accordance with legal requirements. Also of high importance is considered initiation of the process for the removal of assets from the accounting records that are not owned by the Ministry.		Under implementation	
Handling of Debts	The Minister should ensure that MLGA will take further steps and develop action plans to make payments within the required period.	Yes		

Audit Component	Recommendation carried forward from 2016	Implemented during 2017	Under implementation during 2017	Not implemented
Recommendations of previous years	The Minister should ensure that the action plan is implemented and considered, which sets out a timetable for implementing the recommendations made by the auditor, with the identified responsible staff, and focusing initially on the most important areas.		Under implementation	
Self Assessment Checklist	The Minister should ensure that a review of the processes for completing the self-assessment checklist and proactively addressing areas of weaknesses is implemented. A revised mechanism to confirm the accuracy of the return and to ensure supporting documentation supports the submission should be applied.	Yes		
Weaknesses in High Level Management Controls with regard to capital assets and AFS	The Minister should ensure that a review is conducted to determine the form of reporting to senior management, and management to prevent errors on reporting.		Under implementation	
Weakness in internal audit	To achieve maximum benefit from the internal audit activity, the Minister should ensure that all the planned audits are realized within the year and should review the actions undertaken by the management with regards to the audit recommendations.	Yes		
Budget Execution	The Minister should ensure that the monitoring of budget performance is strengthened and enhanced even further. Where initial budget assumptions are incorrect, it should be fully reflected in the final budget.	Yes		

Improper planning of procurement	The Minister should ensure that a detailed and thorough analyses of Ministry's needs is performed before the procurement plan is finalized, so that the procurements needed to be made outside the procurement plan are reduced to a more acceptable level.	Yes		
Shortcomings in the management of assets	The Minister should ensure that additional controls are in place that enable the management of assets in accordance with legal requirements.		Under implementation	

Annex III: Management Response to Deloitte Findings

Findings/Issues	Agree Yes/No	Comments from the BO in case of disagreement	Deloitte view
<p>Finding 1: Budget Execution</p> <p>The budget had a realization percentage of 90%. A greater surplus can be noted in the category of goods and services with a realization of 47% and utilities with an implementation percentage of 65%.</p>	<p>Yes</p>	<p>Ministry of Local Government Administration for 2017, in total with BNK, had in availability a budget in the amount of 410,071.85 EUR for goods and services. From this amount, the most significant expenses were planned to be:</p> <ol style="list-style-type: none"> 1. Official Travels (expenses and per diem), in the amount of: 115,866.00 EUR - expended: 48,868.60 EUR. 2. Rented cars, in the amount of: 27,000.00 EUR - expended: 0 EUR. 3. Rented Photocopy, in the amount of: 12,640.00 EUR - expended: 0 EUR. 4. Maintenance of vehicles, in the amount of: 16,411.00 EUR - expended: 4,661.45 EUR. 5. Fuel supplies, in the amount of 27,000.00 Euros - expended: 13,727.92 Euros. <p>At the beginning of 2017, the government cabinet has changed in MLGA (because of the dismissal of the Minister), and the new minister and cabinet, due to the political situation, have not developed their political agenda as predicted. Consequently, the Minister did not undertake any official travels. In May, the new minister was appointed, but also because of the political situation and his role within the technical government, as a result of the elections, he did not carry out any official travels. In addition, due to the election year and the delays in the establishment of the new government, the foreseen funds for the continuation of Brussels talks, were not expended, since the negotiations were activated at the beginning of 2018. Unused financial means from the category of Official Travels expenses are: 66,997.40 EUR.</p>	

Findings/Issues	Agree Yes/No	Comments from the BO in case of disagreement	Deloitte view
		<p>MLGA for 2017, had foreseen an amount of: 27,000.00 EUR for car rentals. MLGA was notified by CPA on 09.02.2017 that the procurement process for renting vehicles is included in the list of centralized procurement activities. In which case, the procedures lasted for a relatively long period of time and the procedure conducted by the CPA up to the signature and distribution of vehicles in the requesting institutions was not completed until the end of 2017. MLGA accepted the vehicles on 28.12.2017 and the foreseen amount for this procurement activity was not realized due to the closing of the fiscal year. As for rented photocopies, since CPA has begun the procurement process for all institutions, MLGA did not conduct this procurement activity. In addition, in order to spare the public budget, MLGA has taken very strict actions in terms of reducing fuel and maintenance of expenses for vehicles. MLGA has compiled a weekly plan for vehicles and based on a substantial control has realized the use of vehicles. In which case, from the total foreseen amount for fuel expenses, we have managed to save: 11,909.86 EUR for fuel and 11,749.55 EUR for maintenance.</p> <p>MLGA addressed a request to the MF to declare the savings, but MF did not address the request for savings from any category.</p>	

Findings/Issues	Agree Yes/No	Comments from the BO in case of disagreement	Deloitte view
<p>Finding 2: Non commitment of funds at the appropriate amount For one framework service contract signed in 2017, the commitment of funds was not made at the appropriate amount and no reasonable evidence could be provided how the calculation for the committed amount within 2017 was determined</p>	<p>No</p>	<p>Commitment is in the amount of: 6,450.00 EUR, whereas, the contract is 9,404.90 EUR, <u>this is a 1 year framework contract.</u></p> <p>The offered prices are unit prices per piece, approximate quantity, which means that it is not required for the commitment to cover the contracted price, in this case we as AK have not exceeded the commitment of funds, which we have pledged with the signature of the contract.</p> <p>Additional clarification based on article 56 point 56.11 in the "Rules and Operational Guidelines for Public Procurement"</p>	<p>Finding remains.</p>
<p>Finding 3: Understatement of non-financial non capital assets Non capital assets under Euro 1,000 that were disclosed in the financial statements under note 19.3.2, as at December 31, 2017 were understated for Euro 24,320. These were assets that were identified during the stocktaking process, which were not included in the system of E- pasuria within 2017, but they were recorded in E-Pasuria on March 2018.</p>	<p>Yes</p>	<p>This asset was appraised by the evaluation commission, which was formed in March 2018, since such assets could not be identified in the e-assets system. According to the MF 02/2013 regulation on the management of non-financial assets, in those cases where there is no evidence for non-financial assets, this is done according to an assessment within the institution. It can not be referred to as an underestimation, because such assets that have been evaluated in the amount of 24,320.00 EUR have actually fulfilled the depreciation (amortization) period and even if they had been identified in the system, they would have a value of 0 (zero). We therefore, estimate that it can not be referred to as an underestimation, but rather it is an added value to those assets.</p>	

Findings/Issues	Agree Yes/No	Comments from the BO in case of disagreement	Deloitte view
<p>Finding 4: Stocktaking of non-financial capital assets</p> <p>From 100% of the samples that we have selected for test, we have noted that none from these samples was not stocktaken and included in the report of stocktaking of assets for the year 2017.</p>	<p>Yes</p>	<p>In these samples were included the old web-page server located at ASHI and in terms of inventory we have relied on the inventory performed by ASHI as well as the vehicles, since they were also submitted to MAP for public auction procedures. In the future we will take into consideration that these assets should also be part of the inventory report.</p>	

Findings/Issues	Agree Yes/No	Comments from the BO in case of disagreement	Deloitte view
<p>Finding 5: Implementing Prior and Earlier Year Recommendations</p> <p>Although noticeable improvements were made with regard to recommendations from prior years audits, we have noted that not all recommendations were fully implemented.</p>	<p>Yes</p>	<p>MLGA has compiled the integrated annual plan, which includes the recommendations of the internal and external auditor. The report on the implementation of the recommendations has been prepared on a quarterly basis. Also during 2018, the electronic platform has been functionalized regarding the monitoring of implementation of the recommendations. MLGA has made progress in implementing all recommendations and a large number of them has been implemented, but since some recommendations require a longer implementation time some of them have already been addressed, but have not been fully implemented. We will have considerable carefulness to apply all the recommendations as a whole.</p>	
<p>Finding 6:</p> <p>Weaknesses in High Level Management Controls</p> <p>The Management does not carry out regular analysis of budget performance, so that they can identify improvements that are needed in budget planning.</p>	<p>Yes</p>	<p>MLGA on a daily and weekly basis compiles expenditure reports. Also, comparative reports of different periods, as well as, the quarterly reports, that are used in terms of planning. However, we will have considerable carefulness, to increase the number of regular budget performance analyzes in order to identify the necessary improvements in budget planning.</p>	



Republika e Kosovës
Republika Kosova - Republic of Kosovo
Qeveria - Vlada - Government
Ministria e Administrimit të Pushtetit Lokal
Ministarstvo Administracije Lokalne Samouprave
Ministry of Local Government Administration

Prishtina, 31 January 2018

To: Ahmet Ismaili, Treasury Director General
Ministry of Finance

Subject: Financial Annual Report 2017,

Honoured Mr. Ismaili,

The Ministry of Local Government Administration (MLGA) has prepared the Annual Budget Report for January-December 2017. This report has been prepared in compliance with Public Sector Accounting Standards.

Financial Reporting under Cash-Based Accounting fulfils all reporting obligations arising from the Law No. 03/L-048 on Public Financial Management and Accountability, Law No. 03/L-221 on Amending and Supplementing LPFMA, as well as based on financial records kept in accordance with the Free Balance System.

The consolidated financial statements attached to this letter present a true and fair of finances and financial transactions for the period January-December 2017 of the Ministry of Local Government Administration.

Find attached to this letter:

- Detailed MLGA overall assets Report;
- Action Plan for the Implementation of the Auditor General recommendations.

Thank You for your cooperation!

Sincerely,

Rozafa Ukimeraj

Secretary General

Ministry of Local Government Administration



Republika e Kosovës
Republika Kosova-Republic of Kosovo

Emri i organizatës buxhetore në gjuhën shqipe
Emri i organizatës buxhetore në gjuhën serbe
Name of the Budgetary Organization in English

Annual Financial Report

for the year ended on 31 December 2017

Article 11

STATEMENT FOR PRESENTATION OF FINANCIAL STATEMENTS

To: Ahmet Ismaili, Treasury Director General

From: Rozafa Ukimeraj, Chief Administrative Officer

Suzana Kosumi, Acting Chief Financial Officer

In our opinion, the accompanying financial statements, including the notes for the year ended on 31 December 2017, have been prepared in accordance with the International Public Sector Accounting Standards "Financial Reporting under the Cash-based Accounting", fulfil all reporting obligations deriving from the Law no. 03/L-048 on Public Financial Management and Accountability, supplemented and amended by Law no. 03/L-221, Law no. 04/L-116, Law no. 04/L-194, Law no. 05/L-063 and the Law no. 05/L-007 and are based on appropriately maintained financial records.

This statement is issued regarding the presentation of financial statements of the Kosovo Budget of the Budget Organization for the year ended on 31 December 2017.

We confirm, to the best of our knowledge and confidence, that:
There were no irregularities regarding the management or the employees, which could have material effect on the financial statements.

The information provided and presented in the financial statements regarding the identification of funds and their spending linked to the Kosovo Consolidated Budget are complete and accurate. Information about revenue collection is accurate.
There is no other bank account of the Budget of the Republic of Kosovo other than bank accounts specified in the financial statements and this specification is complete and accurate as at 31 December 2017.

There has been no violation of regulatory authorities' requirements that could have material effect on the financial statements if they were violated.
All liabilities, both current and contingent, and all guarantees issued to third parties, are properly recorded and/or disclosed.

All borrowings to external parties are recorded and/or disclosed, as appropriate.
There was no transaction after the end of the period which would require correction or disclosure in the financial statements or in their notes.

Municipalities shall send reports to the Budget and Finance Committee of the Municipal Assembly.

In our opinion, the attached consolidated financial statements present a true and fair presentation of finances and financial transactions for the year ended on 31 December 2017 of the Ministry of Local Government Administration.

Date: 31 / 01 / 2018

(signature and seal)
Chief Administrative Officer



Date: 31 / 01 / 2018

(signature and seal)
Chief Financial Officer

Article 13
Statement of Cash Receipts and Payments

	Treasury Single Account		Single Account		Single Account	
	Payments to external parties '000	BKK '000	Payments from external parties '000	KCB '000	Payments from external parties '000	KCB '000
FUND SOURCES						
Government Grant		4,331.07		4,667		3,745
Own Source Revenues						
Delegated Revenues						
Donor Designated Grants		103.61		112		80
Borrowings						
Development Trust Fund						
Other Receipts						
Total		4,434,677.68		4,809		3,826.84
FUND USE						
Operations						
Wages and Salaries	2	971.08		816.92		845
Goods and Service	3	192.28		345.2		328
Utilities	4	11.90		11.13		13
		1,175.26		1,275.3		1,184.34
Transfers						
Transfers and subsidies	5	184.61		197.62		201
Capital Expenditures						
Property, buildings and equ	6	3,074.81		3,335.89		2,441
Return of borrowings	7					
Other Payments	8					
Total		4,434,677.69		4,809		3,826.84

Article 14
Budget Execution Report

Statement of Comparison of Budget and Actual Amounts for the (Ministry of Local Government Administration)
For the Year Ended 31 December 2017_

	2017					2016-1	2015-2
	Original Budget (appropriations) A	Final Budget (appropriations) B	Payment C	Difference D=C-B	Payment E	Payment F	
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	
Cash inflows to the Treasury account							
9 Tax revenues							
10 Non-tax revenues							
11 Designated revenues							
12 Donor designated grants	101	224	104	(120)	155	109	
13 Borrowings							
14 Other							
Total receipts collected at KCF	101	224	104	(120)	155	109	
Cash outflows from Treasury account							
2 Wages and salaries	976	996	971	(25)	919	845	
3 Goods and services	254	410	192	(218)	345	326	
4 Utilities	28	19	12	(7)	11	13	
5 Transfers and subsidies	204	197	185	(12)	198	201	
6 Capital Expenditures	3,500	3,328	3,075	(253)	3,336	2,441	
7 Return of borrowings							
8 Other							
Total payments made from BRK through STA	4,960	4,949,01934	4,434,67759	(514)	4,609	3,826	

Article 15
Explanatory notes to the financial statements

Note 1

Information for budget organization (activities, legislation, etc.) and accounting policies

Note 2 Wages and salaries

Description	Budget	2017						Total Payments € '000	n %	2016 -1	2015 -2
	Final € '000	GG € '000	OSR € '000	DR € '000	DDG € '000	B € '000	DTF € '000			€ '000	€ '000
Net wages through the payroll	850	793			35			829	0.97505564	784	721
Payment to the Trade Union								-	#DIV/0!		
Net payment for overtime								-	#DIV/0!		
Employees with contract (not in payroll)								-	#DIV/0!		
Personal income withhold tax	52	47			3			50	0.96843519	48	44
Pension contribution-employee	47	44			2			46	0.97657909	44	40
Pension contribution-employer	47	44			2			46	0.97657909	44	40
Wages and salaries	996.12693	928.99968			42.08140			971	97	919	845

Disclose in detail the notes in the table:

Note 3 Goods and Services

Disclose in detail the notes in the table:

	11.4.04266	21.00756	23.96124	108.2443				
Other contracting services					45	#DIV/0!		
Technical services						#DIV/0!		
Membership expenditures						#DIV/0!		
Books and publications	4.000	0.700		5.9647	1	0	5.9647	13
Furniture (less than 1000 euros)	4.000			0.4300				
Telephones (less than 1000 euros)								
Computers (less than 1000 euros)								
Information technology hardware (less than 1000 euros)								
Office supplies	24.402	12.91026	2.92285	20.6456	15	1	20.6456	69
Advertising and repair	16.411	4.50148		13.2277	5	0	13.2277	32
Printing and photocopies	3.400	0.43000	0.65700	1.7705	1	0	1.7705	4
Editing and publications	12.000	8.57500	1.99725	9.0113	11	1	9.0113	4
Business lunch	41.13418	21.63444	1.33464	29.8578	23	1	29.8578	23
Other equipment	4.000							
Rent	7.200		7.200		7	1	9.8590	5
Other purchases								
Professional services						#DIV/0!		32
Uncommitted services						#DIV/0!		6
Court expenditures						#DIV/0!		1
Fuel	27.000	13.72792	1.3022	3.2078	15	1	3.0458	1
Vehicle insurance	2.000	1.44502		18.6124	1	1		18
Municipal taxes	0.200	0.200						
Travel	1.400	0.50495			0	0		
Clothing Substitution	1.000				1	0		
and course as appropriate								
Goods and Services	419.07185	133.17257	89.13128	345.23	122	47	345.23	327

Note 4 Utilities

Disclose in detail the notes in the table:

Description	Budget		2017				Total Payment	Comparison	2016 -1	2015 -2
	Final	€ '000	GG	OSR	DR	DDG				
Electricity	2.300					1.86110		2	0.81	0.17852
Water	0.150					0.05529		0	0.37	
Waste									#DIV/0!	
Heating									#DIV/0!	
Telephony expenditures	16.150		9.477			0.50194		10	0.62	10.95581
Payments-Court Rulings										
Utilities	18.600		9			2.41833		12	64%	11
										13

Disclose in detail the notes in the table:

Note 5 Subsidies and Transfer

Description	2017			Comparison %	2016 -1 \$ '000	2016 -2 \$ '000
	Budget Final \$ '000	OSR \$ '000	OSR \$ '000			
Subsidies to Public Entities	165,781,000	151,988,711	131,842	132	197,623,718	194
Subsidies to Public Entities (ex-bib)	32,905,000	32,622,615		33		
Subsidies to Non-Public entities						
Transfers to other governments						
Payment to individual beneficiaries						
Basic pensions						
Basic contribution-payer pensions						
Pensions for People with Disabilities						
Social assistance pensions						
Pensions for prisoners						
Pensions for war veterans						
Pensions for blind persons						
KPC pensions						
KSF pensions						
Payments for war invalids						
Pension for families of martyrs						
Internal Pensions for Trepçe						
Maternity Leave						
Payments for court rulings						
Payments for livestock sector						
Payments for crops						
Physical capital reconstruction						
Agriculture irrigation management						
Farm diversification						
Subsidies and Transfers						
	106,886,000	104,611,616		104	198	201

Disclose in detail the notes in the table:

Note 6 Capital Expenditures

Disclose in detail the notes in the table:

Description	Budget		2017					Total payments € '000	Comparison %	2016-1		2015-2	
	Final € '000	GG € '000	OSR € '000	DR € '000	DDG € '000	B € '000	DTF € '000			€ '000	€ '000	€ '000	€ '000
Residential Buildings	102,67600	102,51312						103	1.00	429.72			
Business Admin facilities	209,06200	177,29314						177	0.85	154.23		119	
Educational Facilities	139,51600	113,43729						113	0.81			90	
Healthcare Facilities								-	# DIV / 01			227	
Cultural facilities	156,15400	151,88156						152	0.97	95.8		278	
Sport facilities	145,20000	131,67556						132	0.91	74.97		49	
Memorials								-	# DIV / 01				
Fence								-	# DIV / 01				
Warehouse								-	# DIV / 01				
Garage								-	# DIV / 01				
Sport fields								-	# DIV / 01				
Highway construction								-	# DIV / 01				
Regional Roads construction								-	# DIV / 01				
Local roads construction	1457.73367	1367.76691						1,368	0.94	1643.13		1057	
Pavements	122,50000	110,59262						111	0.90	223.95		155	
Sewerage	168,00000	148,1845						148	0.88			85	
Water supply	140,23690	129,1931						129	0.92	82.08		19	
Investment maintenance	43,16649	43,16649						43	1.00				
Power supp. Generation, distribution	287,97500	285,54346						286	0.99	147.1		89	
IT equipments	15,00000							-	-	227.11			
Other equipments	240,31454	222,70458						223	0.93	68			
Other capital								-	# DIV / 01	190		273	
Free funds								-	# DIV / 01				
River rehabilitation	100,00000	90,8536						91	0.91				
Add codes as appropriate								-	# DIV / 01				
Capital Expenditures	3,327,53456	3,074,8893						3,075	92	3,336		2,441	

Note 7 Return of Borrowings

Description	20	20	-1	20	-2
	€ '000	€ '000	€ '000	€ '000	€ '000
Borrower 1					
Borrower 2					
Borrower 3					

Disclose in detail the notes in the table:

Note 8 Other

Payment nature	20	20	-1	20	-2
	€ '000	€ '000	€ '000	€ '000	€ '000
Games of Chance Deposits					
Regulatory Commission Deposits					
Ministry of Justice Deposits					
Other Deposits					

Total	0	0	0	0	0
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Disclose in detail the notes in the table:

Note 9 Tax Revenues

20__ 20__-1 20__-2

Description	Notes	€ '000	€ '000	€ '000	% of Total 20__	difference
Tax revenues 1					%	%
Tax revenues 2					%	%
Tax revenues 3					%	%
Tax revenues 4					%	%
Total		0	0	0	0%	0%

Disclose in detail the notes in the table:

Note 10 Non-tax revenues

Description	Notes	€ '000	€ '000	€ '000	% of Total 20__	% of difference from 20__-1
Tax 1 revenues					%	%
Tax 2 revenues					%	%
Revenues from fines 1					%	%
Revenues from fines 2					%	%
Revenues from licences 1					%	%
Revenues from licences 2					%	%
Revenues from sale of assets services					%	%
Revenues from inspection					%	%
Revenues from Bank interest					%	%
Revenues from currency exchange interest					%	%
Accreditation fee					%	%
Revenues from Assets					%	%
Other Receipts					%	%
Total		0	0	0	0%	0%

Disclose in detail the notes in the table:

Note 11 Designated Revenues

Description	Notes	20	20	20	20	% of total	% difference nga
		€ '000	€ '000	€ '000	€ '000		
Type of revenue 1							
Type of revenue 2							
Type of revenue 3							
Type of revenue 4							
Total		0	0	0	0	0%	

Disclose in detail the notes in the table:

Note 12 Donor designated grants

Description	2017	2016 -1	2015 -2
	€ '000	€ '000	€ '000
Name of the donor	224	112	80
Name of the donor	-	-	-
Name of the donor	-	-	-
Total	224	112	80

Disclose in detail the notes in the table:

Note 13 Borrowings

Description	20	20	20
	€ '000	€ '000	€ '000
Lender 1		-1	-2
Lender 2			
Lender 3			
Total	-	-	-

Disclose in detail the notes in the table:

Note 14 Other

Nature of acceptance	20	20	20
	€ '000	€ '000	€ '000
Deposits of games of chance			
Deposits of Regulatory Commission			
Deposits of Ministry of Justice		-1	-2
Other deposits			
Total	0	0	0

Disclose in detail the notes in the table:

Note 2 to Note 8

Unlike notes 2-8, these notes are used to clarify the **material** difference in column D, that is, the material difference in budget execution. Based on the cash, IPSAS requires clarifying the material differences. Depending on the difference, there is no need to provide explanations for all categories, so changes in the notes counting system may be required. When clarifying the differences of an allocation category, a summary of the nature of the change should be given.

Article 14.6

Disclosure of initial and final budget allocations

Allocation category	Changes foreseen by LPFMA						Final budget allocations, KFMIS € '000	Initial budget differences € '000
	Initial Budget Allocation (Law on the Budget) € '000	according to Article 29 of the Law No. 03/L-048 € '000	according to Article 30 of the Law No. 03/L-048 € '000	according to Article 31 of the Law No. 03/L-048 € '000	Changes to own-source revenues € '000	Changes to designated donor funds € '000		
Inflows								
Tax revenue								
Non-tax revenue								#DIV/0!
Designated revenues								#DIV/0!
Designated donor grants	101					123		#DIV/0!
Borrowings							224	1.208619044
Other								#DIV/0!
Total	101					123	224	1.208619044
Outflows								
Wages and salaries	976.46453	1.00047	(48.455)			67.12725	996.12683	2%
Goods and services	264.43100	10,00000	(8.0810)			153.72184	410.07185	61%
Utilities	25.50000	(10,00000)				3.10000	18.600	-27%
Transfers and subsidies	203.64900		(7)				196.68600	-3%
Capital expenditures	3.500.00000	(9.66300)	(163)				3.327.5346	-5%
Return of borrowings								#DIV/0!
Other								#DIV/0!
Total	4,960.035	(9)	(226)	0	223.94909	0	4,949.01934	-0.2%

Disclose in detail the notes in the table:

Wages and Salaries: The initial budget of MLGA was € 976,454,59. In this category, after the review of the MLGA budget, we have an increase of € 1,000.47 and in the end of the year we have a decrease of € 48,455.32. We had also an increase in the budget in the Wages and Salaries category in the amount

of € 67,127.25 due to the allocation of funds from the European Commission Grant for the Cross-Border Cooperation Program. The final budget of MLGA and Grant is € 996,126.93.

Goods and Services: In this economic category, the initial budget of MLGA was € 254,431.00, and after the budget review, we had a budget increase at the Office of the Minister for € 10,000.00 (The funds were taken from the Utilities category at the request of MLGA) and in the end of the year we have a decrease of € 8,081.00. We also had a budget increase in the Goods and Services category in the amount of € 153,721.84 due to the allocation of funds from the European Commission Grant for the Cross-Border Cooperation Program. The final budget of MLGA and Grant is € 410,071.85.

Utilities: In this category, the initial budget of the MLGA at the beginning of the year was € 25,500.00, and after the budget review, we have a decrease of € 10,000.00 transferred to the Office of the Minister in the Goods and Services category at the request of MLGA. We also had a budget increase in Utilities category in the amount of € 3,100.00 due to the allocation of funds from the European Commission Grant for the Cross-Border Cooperation Program. The final budget of MLGA and Grant is € 18,600.00.

Subsidies and Transfers: In this economic category, the initial and review budget of the MLGA was equal to €203,649.00, whereas, after the closing of fiscal year it was decreased in the amount of € 6,963.00 and the final budget of MLGA for subsidies was in the amount of €196,686.00.

Capital Investments: In this category, the initial MLGA budget was € 3,500,000.00, and after the budget review, we have a decrease of € 9,663.00, and at the end of the year we have a reduction of 162,802.44 euro and the final budget is € 3,327,534.56.

Article 16 Report on receivables

[Receivables \(applies to revenue collecting organizations\)](#)

Economic code	Description	20	20 -1	20 -2
		€ '000	€ '000	€ '000
Total		0	0	0

Disclose in detail the notes in the table:

Article 17 Report on outstanding liabilities (invoices)

Economic code	Economic category	2017	2016-1	2015-2
		€ '000	€ '000	€ '000
11	Wages and salaries		6.19144	
13	Goods and services	4.01522	6.4663	3.76908
14	Utilities	1.85971	1.00839	
20	Transfers and subsidies		3.816	
30	Capital expenditures			24.464
Total		5.87493	17.48213	28.23308

Disclose in detail the table as Annex I:

2017

Economic code	Payment deadline	Supplier	Description	Reason for non-payment	€ '000
14310		Zavicaj	Business lunch	Jendka ebihe pranuar mbar	0.148
14310		Zavicaj	Business lunch	afait te zotime	0.144
14310		Zavicaj	Business lunch	the commitment deadline	0.057
14310		Zavicaj	Business lunch	the commitment deadline	0.150
13951		Kosova e Re	Vehicle insurance	the commitment deadline	0.089
13951		Kosova e Re	Vehicle insurance	the commitment deadline	0.047
13951		Kosova e Re	Vehicle insurance	the commitment deadline	0.161
13951		Kosova e Re	Vehicle insurance	the commitment deadline	0.199
13610		SOS fshatrat e fëmijëve	Office supplies	The case was accepted after the commitment deadline	0.080
13610		Down Syndrome Kosova	Office supplies	The case was accepted after the commitment deadline	0.100
13320		Vala	Shpëzimet e telefonise mobile	The case was accepted after the commitment deadline	1.385
13320		Vala	Mobile telephone expenses	The case was accepted after the commitment deadline	1.363
13250		Vala	Telephone expenses	the commitment deadline	0.909
13250		Vala	Telephone expenses	the commitment deadline	0.951
14310		Shqiponja	Business lunch	the commitment deadline	0.032
14310		Che Bar Bistrot	Business lunch	the commitment deadline	0.060
					<u>5.87493</u>

Article 18 Contingent liabilities

The nature of contingent liabilities	Estimated or accurate value	
	20	20
Rationale for having liability	€ '000	€ '000
	-1	-2
	0	0

Total

0	0
0	0

Disclose in detail the notes in the table:

Article 19 Report on non-financial assets

Article 19.3.1 Capital assets (amounting over 1000 Euros)

Classification of assets	2017 € '000	2016-1 € '000	2015-2 € '000
Residential buildings			620.73
Business buildings			538.19
Educational facilities			
Other structures			340.54
Construction of roads			1479.68
Construction of local roads			235.23
Sport facilities			25.69
Sewage			59.52
Water supply			472.48
Hydro-sanitary installation			245.54
Land			
Equipment			4.26
Supply, generation, transmission Infrastructure			57.97
Furniture		0.26	1.28
Computers	3.1888800	6.33	1.35
Software	34.9471300	71.02	8.57
Photocopiers	0.9100000	2.73	5.15
Vehicles	14.1085900	21.44	83.74
Machinery			10.38
Other	66.3004000	0.36	58.56
The following investments		246.39	277.6
Total	119.455000	348.53	7024.86

Disclose in detail the table as Annex 2:

Article 19.3.2 Non-capital assets (amounting below 1000 Euros)

	<u>2017</u>	<u>2016-1</u>	<u>2015-2</u>
	<u>€ '000</u>	<u>€ '000</u>	<u>€ '000</u>
Classification of assets			
Equipment and furniture	97.93310	694	647.44
Total	<u>97.93310</u>	<u>694</u>	<u>647.44</u>

Disclose in detail the table as Annex 3:

Article 19.3.3 Stocks

	<u>2017</u>	<u>2016-1</u>	<u>2015-2</u>
	<u>€ '000</u>	<u>€ '000</u>	<u>€ '000</u>
Classification of assets			
Stocks	9.76982	6.6	30
Total	<u>9.76982</u>	<u>6.6</u>	<u>30</u>

Article 20 Report on unjustified advances

Date of issuance	No. of CPO	Purpose	2017 € '000
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Total			0
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Disclose in detail the notes in the table:

Article 21 Report on the unspent own-source revenues

Own-source revenues transferred from the previous year	20	20	20
Own-source revenues received this year	€ '000	€ '000	€ '000
Total available for allocation in the current year	-	-	-
The amount spent in the current year	-	-	-
The remaining amount to be transferred	-	-	-

Article 22 Report on the unspent balances of the Development Trust Fund

Own-source revenues transferred from the previous year	20	20	20
Own-source revenues received this year	€ '000	€ '000	€ '000
Total available for allocation in the current year	-	-	-
The amount spent in the current year	-	-	-
The remaining amount to be transferred	-	-	-

Article 23 Report on the designated revenues

Own-source revenues transferred from the previous year	20	20	20
Own-source revenues received this year	€ '000	€ '000	€ '000
Total available for allocation in the current year	-	-	-
The amount spent in the current year	-	-	-
The remaining amount to be transferred	-	-	-

Article 24 Report on unspent donor funds

	2017	2016 -1	2015 -2
	€ '000	€ '000	€ '000
<i>Plus</i>			
Own-source revenues transferred from the previous year	223.94909	213	139
Own-source revenues received this year	103.61101	112	80
Total available for allocation in the current year	120.33808	-	58
<i>Minus</i>			
The amount spent in the current year			
The remaining amount to be transferred			

Article 25 Report on the number of employees according to the payroll

Department	foreseen in the Law on Budget	The current no. of employees at the end of		The current number of employees at the end of		The current number of employees at the end of	
		Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Central administration	134	129		134		116	
Office of the Minister	17	15		15		14	
Department 3							
Total	151	144		149		130	

Article 26 Report on the number of employees not included in the payroll

Department	The current no. of employees at the end of		The current no. of employees at the end of		The current no. of employees at the end of	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Department 1	4					
Department 2			5			6
Department 3						
Total	4		5			6

Article 27 Report on the number of employees engaged with a special service contract

Department 1	1			7		3
Department 2	1					
Department 3						
Total	2			7		3

Article 28 Report on the status/implementation of the National Audit Office (NAO) recommendations

No.	Recommendation or the finding	Action taken or proposed	Implementation deadline	Risk assessment

Disclose in detail the notes in the table: